

South Korea

South Korea has been a growth market in terms of arrivals and spending for the United States. With its relatively recent addition to the Visa Waiver Program, there is the potential to further increase the number of Korean travelers to the United States. The United States and South Korea share a long history of friendship and cooperation based on common values and interests, which can also be used to expand this market. To attract an increasing number of visitors from South Korea, the U.S. Government must continue to ensure that air services agreements allow capacity to meet demand and better coordinate work in market, including with the private sector, through a travel and tourism country plan. The private sector must ensure that Korean traveler preferences and growth segments match up with U.S. products.

Overall
Rank

9

The number of South Korean travelers visiting locations outside of South Korea totaled 14.9 million travelers in 2013, which is nearly 1.4 percent of all global outbound travel. According to Brand USA research that asked Korean travelers “what countries did you visit on your last international holiday in the past two years,” Japan was the top destination, followed by China, the United States, Thailand and Australia.

In 2013, travelers from South Korea spent \$21.7 billion when traveling abroad. South Korean spending abroad has increased dramatically, by almost 204 percent since 2000.^{xxvii} Even with this growth, the South Korean market has only seen its ranking as a top outbound tourism market in the world move from 15th in 2000 to 14th in 2013. South Korean traveler spending increased by five percent over the last year and now accounts for more than 1.8 percent of global tourism expenditures.

The major contributions to South Korea’s continued growth are the expansion of low-cost carriers for international destinations and the strong value of the Korean won. The local low-cost carriers significantly contributed to more affordable overseas travel by increasing the number of routes and destinations. Along with flight sales, sales of tour packages that included low-cost carriers also enjoyed high popularity for price-conscious consumers who mostly travelled for leisure.

South Koreans’ positive perception of overseas travel and the abundance of information sharing through mass media and social media are expected to continue to boost growth of outbound tourism in the coming years. The recent boom of social commerce (social

networks and websites that give product/service sellers access to a large pool of international travel consumers) is also contributing to this trend as they offer all types of travel products at unbeatable prices. Although the economic condition of the nation is threatened by the high rise of living costs and increasing proportion of household debt, outbound travel has not been affected negatively. On the demand side, the popularity of overseas travel is spreading across all age groups. Growth is also propelled by diversified and more affordable destinations.

Market Overview

The United States welcomed a record 1.36 million visitors from South Korea in 2013, an increase of nine percent when compared to the previous year. In fact, the growth in 2013 was the eighth increase in visitors from this country in the last 10 years, and the fourth year of record arrivals. South Korea obtained Visa Waiver Program status in 2008. After the decline in arrivals in 2009 as a result of the global downturn, South Korean arrivals skyrocketed by 49 percent in 2010. Since then, it has posted single-digit growth the last 3 years.^{xxviii} Since 2004, arrivals from South Korea have increased by 117 percent, the third fastest growth rate among the top 10 arrivals markets for the United States. South Korea is now the ninth largest visitor market for the country. South Korean arrivals have surpassed the one million mark for the last four years.

As an export market, South Korea also ranked ninth in terms of 2013 total travel and tourism-related spending in the United States. Like the growth in

arrivals, spending by South Koreans has also grown tremendously over the decade (137 percent). In 2013, South Korean travel and tourism exports totaled a record \$7.0 billion, a 17 percent increase over the previous year and a striking 52 percent increase over 2009. This translates into roughly \$19 million a day^{xxix} being injected into local economies around the country, supporting more than 36,400 U.S. jobs.^{xxx}

U.S. travel and tourism exports to South Korea now account for nearly 34 percent of all U.S. services exports and more than 11 percent of total exports to South Korea. Travel and tourism has enjoyed a positive trade surplus with South Korea for decades, a surplus that totaled nearly \$3.5 billion in 2013.

Understanding the “Typical” Traveler from South Korea

The National Travel and Tourism Office’s Survey of International Air Travelers provides key insights into travelers from South Korea:

Purpose of Trip— Most South Korean visitors to the United States come for leisure activities. As to the main purpose of their trip, the majority were on vacation/holiday (55 percent), followed by visiting friends and relatives (15 percent), business (11 percent), and convention/conference/trade show (nine percent). When considering all purposes of their trip (multiple responses), the net purpose of business and leisure totaled 22 percent and 77 percent, respectively.

Ports of Entry—The top U.S. ports of entry used by South Korean travelers were Agana, Guam (19 percent), Los Angeles, California (15 percent), Honolulu, Hawaii (14 percent), New York, New York (11 percent), San Francisco, California (nine percent), and Chicago, Illinois (four percent).

Number of States Visited—73 percent of South Korean travelers visited one state during their stay in the United States; over 17 percent visited two U.S. states; and 10 percent visited three or more states.

U.S. Destinations Visited: States/Territories and Cities—The top U.S. states/territories visited include California (29 percent), New York (22 percent), Guam (22 percent), Hawaii (16 percent), Nevada (12 percent), and Illinois (five percent). South Korean visitors favored New York City, New York (21 percent), Los Angeles-Long Beach, California (18 percent), Honolulu, Hawaii (14 percent), San Francisco, California (13

percent), Las Vegas, Nevada, (12 percent), Washington, DC (seven percent), and Chicago, Illinois (five percent).

Leisure Activities—The top leisure activities of South Korean visitors were sightseeing (81 percent), shopping (76 percent), visiting national parks and monuments (25 percent), experiencing fine dining (23 percent), visiting amusement/theme parks (20 percent), participating in water sports (20 percent), taking guided tours (18 percent), visiting art galleries/museums (18 percent), traveling to historical locations (17 percent), visiting cultural, ethnic heritage sites (16 percent), and attending concerts/plays/musicals (16 percent).

Transportation Used in the United States—The mode of travel most popular with South Korean visitors while in the United States was the use of rented auto (31 percent), followed by taxicab/limousine (29 percent), private or company auto (27 percent), air travel between U.S. cities (25 percent), city subway/tram/bus (24 percent), bus between cities (23 percent). Only four percent used the U.S. rail system between cities.

Accommodations and Nights in the United States—The overwhelming majority of South Korean visitors stayed in hotels (83 percent), while 22 percent stayed in private homes. The average number of nights South Korean visitors stayed in the United States was 19 nights, with 49 percent staying between four and seven nights and 15 percent staying 22 or more nights.

Income—The average annual income of visitors from South Korea was nearly \$76,740 in 2013, with 20 percent of South Korean visitors making under \$20,000 a year and four percent making \$300,000 or more. Over 80 percent made less than \$100,000 in annual income.

Export Opportunities

Currently, South Korea is the ninth largest travel and tourism export market for the United States. While arrivals have increased in eight of the last 10 years, travel exports have increased in nine of the last 10 years and are up 52 percent over 2009. Travel and tourism exports from South Korea have set records for four straight years, and are up 137 percent since 2004. The U.S. share of total South Korean outbound spending on travel exports (excluding passenger fares) was 31.8 percent in 2013. The U.S. share of outbound spending has increased in three of the last five years.

The record 1.36 million visitors the United States welcomed from South Korea in 2013 accounted for 9.2 percent of total outbound travelers from South Korea. The U.S. share of total South Korean outbound travel jumped in 2010 from 7.8 percent to 8.9 percent because of the 49 percent increase in travel to the United States that year. Since then, the United States has seen its share increased one-tenth of a percent each year to the current share. In 2013, the percentage of South Korean travelers that visited the United States as a percentage of South Korea's total population was small (0.5 percent), demonstrating clear opportunity for growth.

The National Travel and Tourism Office Forecast for International Travel anticipates a compound annual increase of more than 4.7 percent for South Korea, culminating in nearly 1.8 million arrivals from South Korea in 2019, a 31 percent increase over the 2013 visitation level. South Korea is likely to remain the ninth largest arrivals market and the fourth fastest growth market among the top 10 arrivals markets for the United States.

Several developments in recent years have made it easier for visitors from South Korea to travel to the United States. South Korea became a Visa Waiver Program participant in 2008, allowing citizens of South Korea to travel to the United States visa-free for business or tourism for stays up to 90 days. South Korea is also one of the few markets that have a reciprocal trusted traveler agreement with the United States. South Korean citizens became eligible for the Global Entry program in 2012. It was the first permanent trusted traveler program the United States had in Asia, and it remains the only one in Asia.

Air capacity has also increased between the United States and South Korea. The United States and South Korea have had an Open Skies agreement since 1998. In June 2014, Delta launched a direct daily flight from Seoul to Seattle and United launched a daily direct flight from Seoul to Guam; and as of May 2014, Korean Air launched a direct daily flight from Seoul to Houston. There are currently a total of 199 flights per week to twelve cities in the United States. The U.S. private sector is continuously working to secure greater air capacity to the United States.

Almost one out of every three South Koreans travels overseas each year, one of the highest ratios in the world. Brand USA and other U.S. destination organizations are trying to take advantage of this

opportunity by undertaking more promotional and marketing campaigns in the market. U.S. tourism offices based in South Korea, including Brand USA's representation firm, offer educational training programs for U.S. companies on developing diverse products for unique U.S. travel experiences to encourage repeat visitors, including road trips, culinary tourism, cultural heritage, festivals, golf, ski, trekking and cruises.

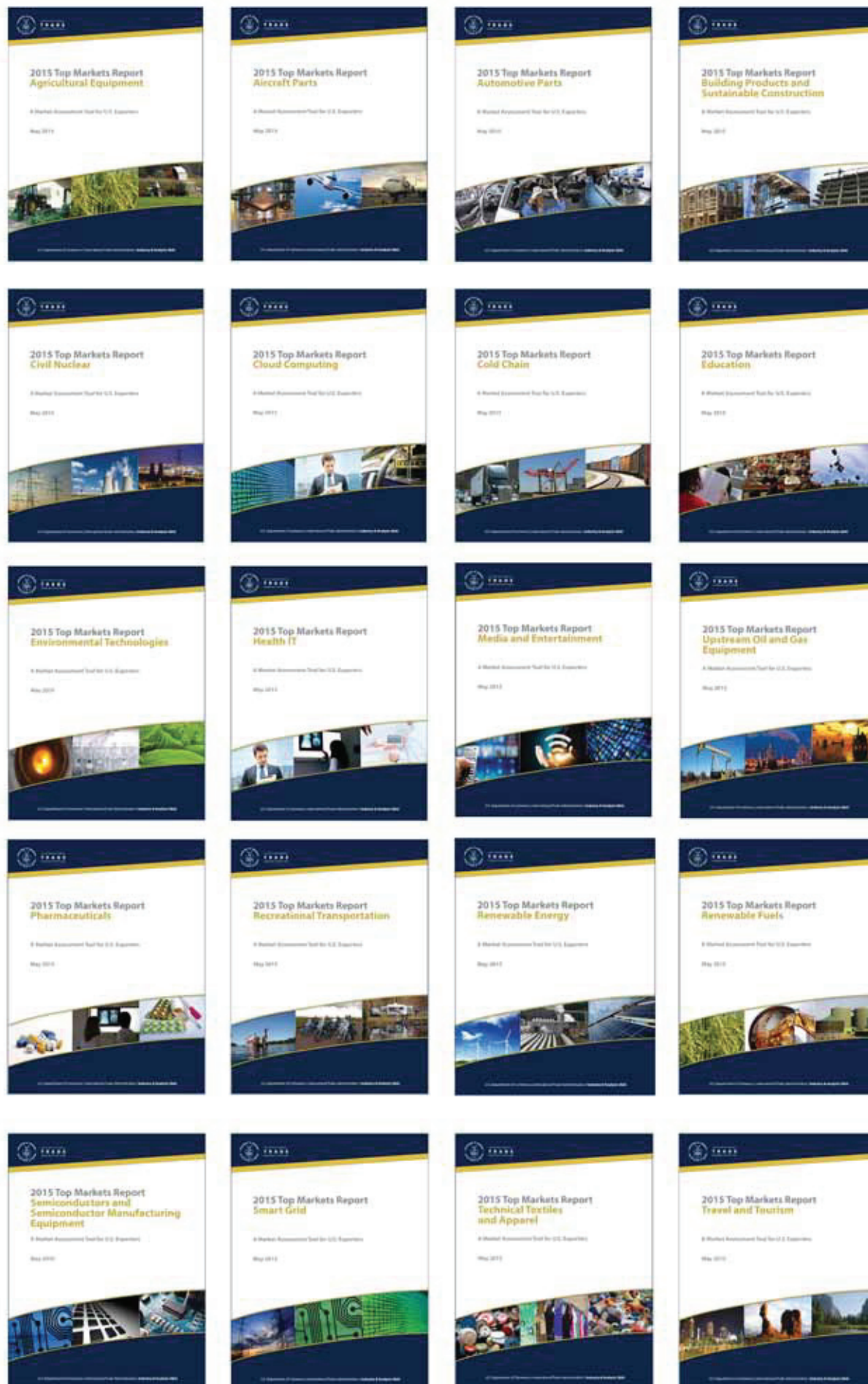
South Korea is also an extremely technologically-savvy market – over 90 percent of South Korean households have Internet access, with over 93 percent of that access on a broadband basis. Hence, the Internet is the top information source for South Koreans in searching and selecting a travel destination. This could be a potential opportunity for technology-based promotions and marketing. The number of South Korean smartphone users also reaches close to 30 million, or two-thirds of the population, resulting in a rapid increase in mobile travel booking.

Challenges & Barriers

The foundation for attracting an increasing number of visitors from South Korea is in place, as South Korea already participates in the Visa Waiver and Global Entry programs, and air capacity continues to increase. The challenge remains in continuing to attract visitors from South Korea in the face of increasing marketing efforts from competing destinations, and economic factors which cause long-haul travel to be more expensive. Furthermore, if the United States does succeed in increasing visitation from South Korea, it is essential to ensure that air capacity keeps up with demand.

- **Competition.** Increased marketing efforts by other long-haul destinations (notably, Australia, New Zealand, Switzerland and Thailand) are creating greater competition for attracting visitors. Brand USA launched its advertising campaign in South Korea in October 2013 and continues to carry out nationwide programs to enhance the image of the United States and to help position it as a world-class, leisure and incentive destination. Brand USA is also working to communicate the mission/role of Brand USA to key stakeholders in South Korea and maintain close working relationships with all stakeholders.

- **Economic factors.** Economic factors such as currency exchange rates and fuel surcharges may have an influence on outbound travel, particularly to long-haul destinations like the United States. Fuel surcharges are based on Singapore kerosene prices. As of January 2015, for a one-way flight to the United States, Korea's two full-service carriers, Korean Air and Asiana, were charging \$58 for fuel surcharges, down from \$90 in December.^{xxxi}
- **Seasonality.** Seasonality affects product sales in low seasons, such as February, March and November, as there is less demand for outbound travel from South Korea during these times.



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